



Date: March 12, 2025

To: Jennifer L. Mnookin, Chancellor  
Charles Isbell Jr., Provost and Vice Chancellor for Academic Affairs

From: Rob Cramer, Vice Chancellor for Finance and Administration *RC*

Re: Review of Division of Diversity, Equity and Education Achievement (DDEEA) Financial Management

The internal review of DDEEA's financial management and expenditure patterns has been completed; the final report is attached, focusing both on the findings regarding DDEEA's spending and on the current state of our fiscal controls. This memo provides, at your request, my summary of the review and my observations about its findings. The careful stewardship of university resources and state taxpayer dollars is imperative. We have taken lessons from this situation and will continue to do so, with a deep commitment to improving our processes and maximizing efficiency while also maintaining and further building our excellence in research, teaching, and service.

As reported, through the analysis of financial records, university leadership determined that while decisions did not violate state statutes nor university policies, Dr. LaVar Charleston, former Vice Chancellor for Inclusive Excellence and Director of DDEEA, demonstrated poor financial judgment. He exhibited limited awareness or recognition of the university's commitments as reflected in the University of Wisconsin System Board of Regents' approved terms related to state funding on December 12, 2023. Ultimately, he showed a lack of recognition and appreciation for the university's responsibility to be sound stewards of state funding and the public trust.

#### Key Observations

Based on the internal review, the concerning expenditures uncovered in DDEEA stemmed from several factors. First and foremost, it can be attributed to a lack of judgment, poor decision-making, and failure to consult with others on the part of Dr. Charleston. The decision to provide substantial lump sum awards to 85 percent of his staff on December 16, 2023, at a total cost of \$218,750, without consultation, is an extremely concerning example of this behavior. Dr. Charleston did not discuss his plan with anyone in senior leadership, and the timing of this decision, in the context of the 2023 Legislative Agreement, shows a thoughtless attitude in decision-making. This lack of consultation and disregard for the broader financial context highlights a significant lapse in leadership and fiscal responsibility.

Second, while the responsibility for sound financial decision-making for his unit rested squarely with Vice Chancellor Charleston, the administrative management systems in place during this time period were not structured to prevent this situation. The delegation of authority for Vice Chancellors to make compensation decisions within broad university policies, combined with the deference the Administrative Services Unit (ASU) and the Madison Budget Office gave to those decisions, created a culture and set of practices lacking adequate oversight. This longstanding absence of checks within the process enabled poor decision-making by Dr. Charleston. Consequently, all Vice Chancellor units must now consult with the Chief Human Resource Officer (CHRO) on any compensation decisions outside of normal and approved ranges to ensure appropriate oversight, communication and accountability.

A similar lack of enforcement authority existed with respect to travel and expense decisions. Business Services was responsible for ensuring university and state policies were followed and as found in the review, this was accomplished. However, as with compensation decisions, too much deference was given to decisions by Dr. Charleston and adequate oversight mechanisms were not in place. As a result, division-based finance directors now have a dual reporting relationship with the AVC for Finance.

Third, the practice of Vice Chancellor units retaining year-end carry forward balances resulted in DDEEA accumulating a significant amount of one-time funds. This contributed to excessive spending in FY24. The large carry-forward balances were a result of underspending compared with budgeted amounts for several years. The large balances created a false sense of urgency to use the funds, despite advice from me and from others in VCFA about how to properly make use of those funds. As you know, we have changed this practice effective FY25. Effective FY25, year-end carry forward balances are limited to 10% of a Vice Chancellor's base budget, with certain exceptions, and base budget reviews will be conducted on a five-year rotating basis to evaluate expenditures and compare spending.

Lastly, the culture of decentralization in this case outweighed a culture of responsibility and stewardship of institutional resources and facilitated the pattern of poor judgment over time. There were a number of instances where questions were raised with Dr. Charleston regarding transactions that were submitted; however, the culture and practice did not foster an environment where concerns were then elevated to superiors within the finance division.

These structural and cultural factors, combined with the failure of Dr. Charleston to consult with me, or with either of you on financial and compensation plans, and the lack of judgment regarding a host of spending decisions in his division, led to the situation we are now addressing. Perhaps most concerning is the totality of financial choices, including highly atypical and excessive spending across multiple dimensions – from bonuses to compensation adjustments to travel, supplies and furnishings. The collective total amounts to unacceptable action by a Vice Chancellor. It was also problematic that when these concerns came to light, Dr. Charleston lacked important documentation to support many of these decisions.

As you know, we took several steps during the review to address this situation, beginning with the transfer of DDEEA's fiscal authority to the AVC for Finance. The series of questionable decisions by Dr. Charleston ultimately led to his removal from his central leadership limited appointment. Through the review process, as systemic flaws were revealed, we implemented additional financial and HR oversight across all administrative units.

## Financial Management Improvements

UW-Madison has been working to improve financial management systems and controls for several years. The established fiscal concerns in DDEEA are a clear reminder and opportunity to continue to identify necessary changes to ensure proper stewardship of state and university resources.

Actions taken to date to improve financial management more broadly over the past several years include additional financial attestations, regular base budget reviews, centralization of accounts receivable, and centralization of expense report auditing. Through the course of this review we took additional steps, including dual reporting for administrative unit finance leads within central administration, compensation reviews by the CHRO, and enhanced oversight of travel expenditures. Taken together, steps now in place reduce financial risks in our decentralized organization.

There are additional steps already scheduled to be taken, as well as others that we should take going forward to further improve financial management. I have noted several below.

The implementation of Workday will allow for better reporting, enhanced internal controls, elimination of multiple financial systems, and variations in processes and procedures between units. It will also present opportunities to further enhance financial oversight and control. Business Services is exploring the functionality it provides, and additional AI-enabled systems, to analyze financial transactions and provide enhanced reporting. These additional capabilities will further strengthen our ability to monitor the financial environment.

Concurrently with rolling out a new system, establishing a culture that better balances the important reality of our decentralization and institutional risk and responsibility must be a priority. Units manage and execute many of our financial processes and this can generate risk. Employees must have a better understanding and appreciation of this and their ownership of risk. Employees speaking up if they see activities that are concerning is an essential component of risk management. They are on the front lines of identifying both poor judgment and actual fraud and must take that responsibility seriously. While the review's comparative analysis did not identify specific issues in other units, we must nonetheless be cognizant of this risk.

Improving oversight and guidance of compensation decisions will also take continued attention. Again, UW-Madison's decentralized structure requires a balanced approach, along with some degree of recalibration. As a result of this review, we have implemented additional guardrails for Vice Chancellors. In addition, given what this internal review uncovered, I recommend that the Office of the Provost and the Office of Human Resources (OHR) identify additional oversight and controls to ensure school and college compensation decisions are subject to external review and approval. My office will work with the OHR to identify additional units for which we will require these additional measures.

Additional next steps because of this internal review will be further informed by the upcoming review with Deloitte. The Universities of Wisconsin system leadership has recommended we engage an outside firm to assist with this work, which was consistent with our discussions and plans. The agreement is being finalized and the work will begin soon.

Please let me know if you have any additional questions.

cc: Jennifer Noyes, Chief of Staff  
Patrick Sheehan, CHRO  
David Murphy, AVC



**Vice Chancellor for  
Finance and Administration**  
UNIVERSITY OF WISCONSIN-MADISON

March 12, 2025

**Internal Review Report: Division of Diversity, Equity and Educational Achievement  
March 2025**

This review of the Division of Diversity, Equity & Educational Achievement's (DDEEA's) expenditures and related financial management practices provides an overview of the financial management of the division during the FY23 and FY24 period. This review was instigated as information was being collected in response to documentation requests made by the Wisconsin Legislative Audit Bureau (LAB) as part of its ongoing evaluation of diversity, equity, and inclusion activities in the executive branch, including in the Universities of Wisconsin. The review builds on work the campus budget office (Madison Budget Office or MBO) was conducting concurrently as part of base budget reviews for six units across campus, including DDEEA.

This report provides an overview of the process used in completing the review, its findings, and its conclusions. While this report represents a summary of the review as completed, intermediate updates were shared with campus leadership during the review process, with responsive actions put in place to address specific concerns. A timeline of the review and related responsive actions to intermediate findings is included.

**Background**

As part of the Universities of Wisconsin, UW-Madison has been included in an ongoing evaluation of diversity, equity, and inclusion activities conducted by LAB. The initial meeting between UW-Madison staff and the LAB auditors took place on July 24, 2024; subsequent meetings occurred at the request of LAB staff members. Concurrent with but independent of the LAB audit, a base budget review of DDEEA was taking place. This annual practice was formalized to improve fiscal and budget oversight.

A LAB auditor request for access to more detailed information regarding DDEEA's finances coincided with the identification by MBO's director of some concerning expenditures within the division; these concerns were identified by MBO as part of the base budget review process. These two factors led the Vice Chancellor for Finance and Administration (VCFA), in October 2024, to direct MBO to broaden its review of DDEEA to include a more detailed review of expenditures.

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Additional analysis focused on comparing expenditures relative to other administrative units was also included.<sup>1</sup>

### **Review Team**

Following the VCFA direction to complete a more detailed review of expenditures within DDEAA, the review team was broadened to include additional representatives from the Office of the VCFA and the Office of Human Resources (OHR). The team was charged with developing and analyzing relevant information, making recommendations related to fiscal management based on any findings, reporting back to leadership about interim findings, and creating this report.

The team utilized data from the Wisconsin Integrated System for Education and Research (WISER) for financial data during this review. Payroll information and expenditure information came from this system. Data regarding personnel was drawn from the Human Resources System (HRS) used by all UW institutions.

### **Relevant Policies and Procedures**

UW–Madison and the Universities of Wisconsin have numerous policies and procedures related to the matters reviewed. Relevant policies include:

#### **Salary Administration Guidelines<sup>2</sup>**

The University of Wisconsin–Madison Salary Administration Guidelines are designed to ensure consistency and fairness in salary decisions across the university. These guidelines provide a framework for managing salaries, including:

- **Base Pay:** Fixed compensation for services, such as salary or hourly rate.
- **Benchmark Jobs:** Standardized roles used for salary comparisons.
- **Compa-Ratio:** A metric comparing an employee's pay rate to the midpoint of their salary range.
- **Salary Adjustments:** Flexibility in adjusting salaries based on various circumstances.

#### **Procurement Policies<sup>3</sup>**

UW-Madison's procurement policies are based on state statutes, Department of Administration policy, and Board of Regents authority. Relevant areas for this review include:

- **Procurement:** How to buy products and services at UW–Madison, including how to get started making a purchase, who to buy from, who to contact, and how to pay.
- **Pro-Cards:** A University-liability VISA card issued and supported by U.S. Bank and authorized for UW–Madison business-use only.

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<sup>1</sup> Financial data was obtained from the Wisconsin Integrated System for Education and Research (WISER). WISER is a database containing financial transactions from the Shared Financial System (SFS), including payroll and other expenditures.

<sup>2</sup> <https://hr.wisc.edu/docs/salary-administration-guidelines.pdf>

<sup>3</sup> <https://businessservices.wisc.edu/policies-and-procedures/>

## **2024-25 Budget Instructions<sup>4</sup>**

UW–Madison MBO provides detailed guidelines for the fiscal year budget process. These resources include instructions, memoranda, and deadlines for submitting budget requests. Instructions include:

- **Budget Cycle and Fund Groups:** Explanation of the budget cycle and different fund groups.
- **Allocations and Assessments:** Divisions must balance their budgets to allocated dollars and FTEs (Full-Time Equivalents) using the PlanUW Allocation Tool.
- **Specific Funds:** Details on various funds such as General Program Operations, Freshwater Collaborative, and Graduate Student Financial Aid.

## **Travel and Expense Reimbursements**

UW–Madison employees are reimbursed for out-of-pocket travel-related expenses in accordance with UW–Madison travel policy. The Division of Business Services is responsible for processing travel and expenses reimbursements and ensuring expenses are within policy. Travel policy is established to ensure prudent use of university resources while ensuring the safety of travelers and minimizing the administrative burden on travelers and support staff.

## **Internal Review Timeline and Key Responsive Actions**

August 2024 – Campus divisional leadership was informed that there would be base budget reviews across various units.

September 2024 –MBO initiated 2024 base budget reviews with various divisions across campus, including DDEEA.

October 16, 2024 – LAB requested all SFS Budget Codes for DDEEA.

October 17-21, 2024 – OHR, MBO, and Business Services worked together to conduct a more detailed review of salary, travel, and general expense activity within DDEEA.

October 21, 2024 – Based on initial consideration of information compiled and analyzed, DDEEA human resources delegation removed by OHR, with approval from VCFA.

October 23, 2024 – MBO provided to the VCFA initial review of comparative spending across administrative units. The intent of these reviews was to provide a comparative analysis of budget activities.

October 28, 2024 – Due to the concerns coming out of the internal review of DDEEA’s expenditures, an initial MBO expense review summary was prepared, with the analysis of DDEEA expenditures continuing. The expense review was shared with the VCFA and DDEEA leadership, including the Vice Chancellor for Inclusive Excellence and Director of DDEEA, to review and discuss. The review

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<sup>4</sup> <http://mbo.wisc.edu/annual-budget-instructions/2024-25-budget-instructions/>

was not otherwise distributed with senior campus leadership, as the process was seen to be iterative and ongoing.

November 21, 2024 – Leadership from VCFA, OHR, and DDEEA met to discuss the expense review. The meeting was delayed based on the availability of the Vice Chancellor for Inclusive Excellence and Director of DDEEA.

November 22, 2024 – DDEEA provided a response to the expense review summary, offering justifications for the expenditures and asserting that all expenditures of concern complied with university policy and reflected sound judgment about expenditure decisions.

December 13, 2024 – VCFA made recommendations for continued financial management actions to improve overall UW-Madison financial controls. These actions were approved by the Chancellor for implementation January 1, 2025.

December-January – Ongoing review of expenses within DDEEA took place, with continued engagement with DDEEA leadership. During this period, these issues were also brought to the attention of the executive committee and senior campus leadership, including the Provost and the Chancellor.

January 1, 2025 – VCFA initiated implementation of additional financial control measures for administrative units.

January 9, 2025 – The Vice Chancellor for Inclusive Excellence and Director of DDEEA was informed via a memorandum from the VCFA that authority for all fiscal and human resources decisions was being transferred to the Office of the VCFA until further notice.

January 22, 2025 – The Vice Chancellor for Inclusive Excellence and Director of DDEEA was informed that he was being removed from his position.

### **Internal Review Findings**

The areas related to DDEEA's financial expenditures reviewed in this report include:

- 1. Compensation Adjustments:** Examination of lump-sum bonus payments and salary changes (including base compensation increases and temporary base adjustments).
- 2. Process for Compensation Adjustments:** Examination of the structure and process for reviewing and approving compensation adjustments.
- 3. Travel and Other Expenditures:** Analysis of travel and event-related spending.
- 4. Process for Travel and Other Expenditures:** Examination of the structure and process for reviewing and approving travel and other expenditures within the Division.

As is reflected in the detail below, the review of DDEEA identified several areas of significant concern regarding financial management and compensation practices. The findings indicate that while actions taken by the DDEEA were not in direct violation of university policies, they were

inconsistent with the expected standards of fiscal responsibility and transparency and on multiple occasions were implemented without appropriate consultation with university leadership, OHR, or MBO. In addition, the compensation choices made by unit leadership did not show good judgment or represent sound fiscal responsibility. The unusually high frequency and amount of lump-sum bonus payments, along with salary increases that exceeded university norms, suggest a need for more stringent oversight and adherence to established policies and guidelines.

Further, the unit had concerning spending levels on supplies, furniture, and equipment. During the review, it was discovered DDEEA had a lack of documentation supporting these financial decisions. This demonstrated a lack of awareness and concern for operational guidance, created unacceptable institutional risks, and jeopardized university priorities. Throughout the review process, the Vice Chancellor for Inclusive Excellence and Director of DDEEA did not accept or acknowledge these issues.

For each area reviewed, expenditure activity in DDEEA was compared against other units within UW-Madison. As noted in each section, when reviewing DDEEA activities in comparison to other units across campus, the deviation from campus norms and expectations is clear. DDEEA spent the most, per FTE, on travel, training, and events of any unit on campus. The spending exceeded that in like units and in most schools and colleges. In addition, the compensation choices were significantly out of line with university norms.

### **1. Compensation Adjustments**

The review determined that DDEEA lump sum activity was highly unusual in the individual amount, as well as both the aggregate amounts and the frequency of lump sum activities. While these activities were not in violation of policy, which vests significant discretion with unit leaders, they were inconsistent with university practices and expectations of university leaders regarding fiscal responsibility.

OHR conducted a review of compensation adjustments and lump sum awards for a 12-month period between December 1, 2023, and December 1, 2024. DDEEA had 71 ongoing FTE (Academic Staff, University Staff, and Limited Appointees) as of October 2023. During the time period reviewed, DDEEA submitted 72 lump sum increases, 63 of which exceeded a 3% (of base salary) threshold, impacting 89% of the division's employees — an unusually high percentage. Notably, 34 out of 63 employees (55%) had previously received an additional performance lump sum within the past year, and eight employees had previously received two lump sum awards in the preceding 12 months, before receiving an additional lump sum award during the relevant timeframe.

Between December 1, 2023, and December 1, 2024, 12 employees within DDEEA received base wage increases exceeding 10%. These increases ranged from 10% to 23% of their base salary, amounting to between \$6,800 and over \$37,000. These compensation adjustments were granted to DDEEA employees shortly ahead of the State's 4% compensation plan on January 1, 2024, and the subsequent 2% pay increase on July 1, 2024.

It is crucial to highlight that 60 (out of 71) employees received lump-sum increases on December 16, 2023, without any prior communication from DDEEA leadership to other senior leaders on

campus regarding this decision. This occurred while all employees were still waiting for their 4% pay plan increase and during a critical period relative to the University of Wisconsin Board of Regents' approval of terms related to state funding. Given the Vice Chancellor for Inclusive Excellence's active involvement with the state funding discussions, it strains credulity to believe that he did not grasp the acute sensitivity of this action. This lack of communication and timing demonstrates a significant lapse in judgment and fiscal responsibility.

In comparison, other units which distributed bonuses to large percentages of employees were units that primarily gave workers modest bonuses to recognize their contributions to ensure a major facility was prepared for opening, or to address significant retention challenges. Lump sums, outside of structured compensation exercises, are given, on average, to less than 3 percent of employees at UW-Madison annually. In stark contrast, DDEEA provided them to 89 percent of their employees.

Further, DDEEA was unique in both the number of employees receiving awards and the average amount awarded. Other units, such as the School of Medicine and Public Health (SMPH), had similarly high average award amounts, but provided them to only 1.2% of employees, resulting in a much smaller average award per employee across the unit. Additionally, the average salaries at SMPH are significantly higher than those within DDEEA, which means the impact of these bonuses as a fraction of total spend is comparatively smaller compared to DDEEA. This disparity highlights the exceptional and concerning nature of DDEEA's lump sum practices. Overall, this pattern of compensation adjustments was highly unusual and inconsistent with fiscal responsibility expected of university leaders. The frequency and magnitude of these awards did not align with the university's practices and raised significant concerns about the soundness of the financial decisions made by Division leadership, coupled with a concerning failure to consult about sensitive and significant decisions.

## **2. Process for Compensation Adjustments**

The review found that DDEEA's materials did not provide sufficient supporting documentation for OHR to determine if the raises or lump-sum bonuses distributed during the period of review were appropriate. Simply put, DDEEA's materials lacked sufficient information to understand the analysis that DDEEA may have independently utilized to arrive at these decisions. Despite multiple requests for this information, adequate documentation to support these decisions was not provided during the review process.

DDEEA's leader suggested that because ASU processed these transactions, the underlying decisions were supported and substantively approved by the Office of the VCFA. This assertion reflects a significant and deeply problematic misunderstanding of roles and responsibilities within our human resources apparatus, as well as a failure to understand leadership responsibility. It is critical to recognize that processing personnel transactions does not equate to an endorsement of the decisions behind them.

While ASU processed DDEEA's personnel transactions, decision-making regarding compensation adjustments is vested in the leadership of each division ASU supports. These institutional leaders have been responsible for making decisions based on their specific needs, market conditions, and employee performance. This is clearly reflected in the Salary Administration Guidelines (SAG),

which states that University Leadership, (Chancellor, Vice Chancellors, Deans, and Directors) are responsible for “...hold(ing) direct reports accountable for administering salaries within the compensation program design and guidelines in their areas of responsibility.” While the OHR and the ASU office *can* provide guidelines, recommendations, and administrative support, they did not have the authority to independently enforce these guidelines. That responsibility is vested with the leader of the unit.

The decentralized structure of UW–Madison means that divisions have both authority and discretion in their decision-making processes, as well as accountability. This allows divisions to address unique market challenges and opportunities to reward performance within their units. It also means that the responsibility for ensuring sensible and strategic compensation practices ultimately resides with the divisional leaders, who are entrusted to balance their decisions with institutional strategic priorities, budgetary considerations, and responsible financial stewardship.

Regardless of the process followed, divisional leadership is responsible for maintaining supporting documentation outlining the analysis and justification for the recommended adjustments as submitted to ASU for processing. Relevant materials include robust documentation addressing factors such as where the titles report and any variations in responsibilities, performance level, a particular skill or attribute that warrants a difference in salary, and experience to support and inform such a conclusion. In instances of market issues, DDEEA would have also been responsible for collecting relevant market analysis to support this conclusion, or for requesting assistance for this from OHR.

In discussing the salary increases, DDEEA leadership asserted that the raises were justified for reasons of salary equity. However, review of justifications submitted by DDEEA presents no information documenting market pressures to support compensation increases due to equity for any DDEEA employees during the relevant time period (December 1, 2023, and December 1, 2024). UW-Madison has distinct processes for salary adjustments based on performance versus those based on pay equity or fundamental fairness with similarly situated appointments. Despite this, DDEEA processed all these adjustments as ‘performance’ adjustments, bypassing the established structure for equity adjustments, which requires comparison information and additional detail. This deviation from standard procedures raised significant concerns about the validity and appropriateness of the salary increases as submitted by DDEEA.

With hindsight, it is also clear that too much deference was given to decisions by divisional leadership and adequate oversight mechanisms were not in place. Adjustments to our processes have already been made as outlined below.

### **3. Travel and Other Expenditures**

The review also examined travel and event expenditures and identified excessive spending in these areas. While these activities and related spending were individually not in violation of university policy, they are inconsistent with university practices, exceeded reasonable travel based on the job duties, and do not align with expectations surrounding fiscal responsibility.

FY23 and FY24 expenses for DDEEA's travel, professional development and events totaled \$1.7 million and \$2.65 million, respectively. Pre-pandemic FY19 expenses in these categories totaled \$1.16 million.

Eliminating the travel and event costs for student programs, DDEEA spent an average of \$10,955 per employee FTE in FY24. This was the single highest average spend among all campus divisions. All other divisions averaged \$3,303 in travel and event expenses per employee FTE. While units' needs for travel can of course vary by function and purpose, the primary roles of DDEEA were to (a) support an array of student-focused support programs and (b) create a culture of support, belonging and inclusive excellence on our campus. It is extremely difficult to understand why this unit would warrant having the highest per-FTE level of travel expenditures anywhere within UW-Madison.

There were additional expenses that raised concerns about the proper stewardship of university fundings. These include office furniture, promotional items, and electronics.

FY23 and FY24 expenses for supplies totaled \$580,518 and \$594,311, respectively. Pre-pandemic FY19 expenses for supplies totaled \$326,127.

Eliminating the supplies costs for student programs, DDEEA spent an average of \$2,838 in supplies per employee FTE. This was the fifth highest average out of all campus divisions.

Over the course of the past three fiscal years (FY22-FY24) DDEEA spent \$369,163 of 101 funds on furniture and equipment, excluding \$44K related to student programs. This is the second highest among all divisions on campus over the same period. (The highest were the libraries, where, unlike DDEEA, furniture and equipment is used by all visitors to the facilities.)

#### **4. Process for Travel and Other Expenditures**

Business Services provides processing for travel and other expenditures, oversees procurement, and directs other financial activities. As with ASU and DDEEA's personnel transactions, decision making regarding travel and other expenditures is delegated to division leadership.

Business Services was responsible for ensuring university and state policies were followed and as found in the review, this was accomplished. However, as with compensation decisions, this review process has revealed that additional oversight mechanisms are warranted.

### **Overview of Current Structure, Corrective Actions Taken During the Review, and Establishment of New Measures to Prevent Future Occurrences**

#### **Overview**

UW-Madison has a long history of highly decentralized administrative operations in both academic and non-academic areas. This includes the areas of finance and human resources. Policies set at the institutional level are implemented by each school, college, and division. This decentralized authority has also extended to non-academic units, such as Vice Chancellor offices, inclusive of DDEEA.

While there are benefits and risks with decentralized administrative operations, it is important to recognize that UW–Madison is an extremely complex organization with varied and distinct needs across different organizational areas. Effective fiscal oversight includes managing personnel actions that impact a unit’s budget and financial position. Leadership has been working since 2022 to address potential concerns through financial attestations, the transition to Workday, and enhanced professional development for Finance employees.

Within this structure, the units responsible for processing salary and expenditure activities serve in a consultive role rather than acting as formal approvers. When Vice Chancellor requests reach these transactional units (ASU, Division of Business Services, MBO), their role is to ensure policies are being followed and trust that all due diligence, including strategic decision-making and consultation with leadership, has been completed by the requesting unit; in this case, by DDEEA. In this situation, staff members in the transactional units did not elevate concerns about the various expenditure activities, as these requests were being made by the office of a Vice Chancellor that has the authority under policy to make these decisions.

Conversely, there was clearly a failure by DDEEA divisional leadership to consult with the Provost, Vice Chancellor for Finance and Administration or other senior leadership before incurring a variety of large expenses or significant and atypical personnel compensation adjustments. In aggregate, these decisions reflected poor judgment, a lack of appreciation for institutional risk, and a lack of leadership.

### **Corrective Actions Taken During the Review**

During the review of DDEEA’s financial expenditures, actions were taken by university leadership to prevent further poor fiscal decision making. In October 2024, DDEEA’s authority for hiring decisions for all positions was revoked and in early January 2025, the Office of the Vice Chancellor for Finance and Administration assumed authority for DDEEA financial decisions. Throughout the review process, the Vice Chancellor for Inclusive Excellence and DDEEA Director received multiple communications regarding the concerns from university leadership and the actions taken as a result of these concerns.

### **New Measures the University has Established to Improve Financial Management**

To address the concerns identified in this review, several key actions have been implemented to enhance fiscal oversight and standardize financial and HR transactions across campus. Effective January 1, 2025, these changes apply to all Vice Chancellor units and their respective employees. The primary goal is to ensure greater accountability and transparency in financial management.

#### **1. Compensation Review**

The university administration has now implemented a requirement for consultation with the Chief Human Resources Officer (CHRO) for various compensation adjustments. These procedures enhance oversight by providing a clear framework for addressing concerns, increasing communication, and ensuring that compensation recommendations for Vice Chancellors and their units can be brought to the direct attention of CHRO and MBO leadership and denied when appropriate.

As of January 1, 2025, for all central units, any proposed base salary adjustments of 10% or more, including temporary base adjustments and interim appointments, now require consultation with the CHRO. Similarly, lump-sum awards of 10% or more of an employee's current salary, or those exceeding \$5,000, also necessitate CHRO consultation. Additionally, proposed starting salaries for positions at the Director II (M VI) level and above must be reviewed by the CHRO before posting or being communicated to candidates. Furthermore, any instance of providing more than one increase (base building and lump sum) in a single fiscal year requires CHRO approval.

Compensation adjustments will generally occur during annual and mid-point reviews in February and August, excluding critical compensation fund activities or state pay plans. Despite these changes, in-scope units remain accountable for personnel and fiscal decision-making, continuing to use UW-Madison's Salary Administration Guidelines and working with Divisional HR representatives to ensure compliance with all relevant policies.

## **2. Compliance Audits and Base Budget Reviews**

Monthly compliance audits are now being conducted for units led by Vice Chancellors to ensure proper consultation and approval. These enhanced controls will emphasize the alignment between financial decisions and institutional goals, prioritize spending on initiatives that support the core mission and values, practice prudent financial management, and uphold high standards of transparency and accountability in financial practices.

Compliance and oversight measures include documenting all compensation activities to leave a full audit trail and establishing a dual accountability relationship for finance leads with the Associate Vice Chancellor for Finance.

The expenditures by DDEEA during the period reviewed remained within expenditure limits, including base budget and year-end carry forward balances, as DDEEA had underspent its budget in prior fiscal years. Previous standard practice at UW-Madison had been for units to retain unspent funds as carry forward balances. This practice was in review during FY24. Effective FY25, year-end carry forward balances are limited to 10% of a Vice Chancellor's base budget, with certain exceptions, and base budget reviews will be conducted on a five-year rotating basis to evaluate expenditures and compare spending.

To support these changes, OHR and MBO scheduled meetings in January to discuss the application of these changes with HR and finance leads. HR representatives are expected to reinforce these changes within their units and reach out with any questions or support needs.

These actions aim to address the identified concerns and ensure that financial practices within Vice Chancellor units are aligned with established guidelines, promoting a culture of accountability and transparency.

### **Anticipated impacts of enhanced controls**

The anticipated impacts of these enhanced controls are multifaceted. The increased consultation requirements and structured timing for compensation adjustments are expected to lead to more consistent and equitable salary practices. This will help mitigate the risk of disproportionate salary increases and ensure that all compensation decisions are well-documented and justified.

The monthly compliance audits will enhance oversight and ensure that any deviations from established guidelines are promptly identified and addressed. This proactive approach will help maintain financial integrity and prevent potential mismanagement of funds.

The alignment of financial decisions with institutional goals and prioritization of spending on core mission initiatives will ensure that resources are allocated effectively and strategically. This will support the university's long-term objectives and enhance its ability to achieve its mission and values.

The introduction of dual accountability relationships and limitations on year-end carry-forward balances will also contribute to more disciplined financial management. By ensuring that finance leads report to both their respective Vice Chancellors and the Associate Vice Chancellor for Finance, the university can foster greater accountability and oversight. Limiting carry-forward balances will encourage more efficient use of allocated funds and reduce the risk of accumulating unspent resources.

Overall, these enhanced controls are expected to create a more transparent, accountable, and strategically aligned financial management system, ultimately supporting its mission and further promoting a culture of fiscal responsibility.

### **Actions underway prior to the review to improve financial management at UW–Madison**

University leadership had identified the need to continue improving financial management across the campus several years ago. Since FY21, there have been a series of actions and initiatives that either have taken place or will take place within the next few months to ensure financial management is improved.

The Workday implementation, a Universities of Wisconsin initiative that began July 2021, will be live systemwide starting in July 2025. It focuses on the continued transformation of administrative practices to improve internal controls, reduce variation in processes and practices, and provide stronger management oversight. For UW-Madison, the elimination of multiple instances of Great Plains financial software over the next two years will be a significant step towards stronger financial management. Additionally, Workday's position management functionality will provide an enhanced connection between hiring (FTE) and budgets.

In FY22, all financial division leads, including deans and financial directors, began signing attestations regarding annual financial management practices. This process amplifies the fact that financial division leads are accountable for managing their budgets in a responsible manner.

The Division of Business Services has started assisting with auditing expense reporting to a number of units to improve service and standardize reviews. The decision to move this function to Business Services for all units in July 2025 (with Workday) has been made. Additionally, as of May 1, 2024, the majority of non-grant accounts receivable are now processed in the Division of Business Services. This provides consistency and timely deposits of funds and helps with the separation of duties.

Finance, through partnership with the Office of Human Resources, launched the “Finance@UW” professional development program in 2023-24 to help finance professionals manage the intricacies of institutional finance and address a need for enhancing financial acumen campus-wide.

Lastly, as reflected in the University of Wisconsin Board of Regents-approved terms related to state funding as approved on December 12, 2023, units are continuously reviewing FTE impacts of hiring decisions through the position cap process, as they now must consider both FTE and budgetary impacts. To provide consistency, a standardized procedure was implemented in June 2024 across the university.